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## The Poverty of the Czech Elderly – Myth or Reality?\*

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**Abstract:** Poverty among the Czech elderly is considered from two perspectives: objective and subjective. Various indicators of objective poverty are analysed, such as the relation of average monthly income to average old-age pension, pension inequalities, the structure of household expenditures, and the structure of consumer durables ownership, as are representative survey data measuring subjective poverty. It is concluded that from the objective point of view the Czech elderly are as a whole well above subsistence poverty. However, their subjective poverty seems quite far-reaching, affecting between 30 and 50 percent. This suggests that feelings of social exclusion are quite widespread among the Czech elderly population.

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### Introduction

The population of the Czech Republic as with the populations of other developed countries is ageing. In 1995, the proportion of the population aged 60+ and 65+ was 18% and 13% respectively. The ageing of Czech society will become more rapid in the next decade as the baby boom generation of the late 1940s ages. However, due to the unprecedentedly low birth rates which we have been experiencing since 1993, and due to a substantial improvement in mortality since 1990,<sup>1</sup> ageing is gaining speed even now.

From the point of view of poverty, the elderly have always been a population at risk. It is a world-wide phenomenon and Czech society, even during its Communist period, was no exception. However, as I shall argue in the second part of this paper, the contemporary situation of the Czech elderly is not as dramatic as some East Central Europe transition analyses might suggest. Before doing so, I shall briefly outline the ways in which poverty can be defined and show how Czech poverty is dealt with. At the end I shall try to answer the basic question of the paper: to what extent is the poverty among the Czech elderly real, and to what extent is it socially constructed.

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<sup>1</sup>) The total fertility rate declined from 1.67 in 1993 to 1.2 in 1996. Life expectancy at birth increased from 67.5 for men and 76.0 for women in 1990, to 70.4 and to 77.3 respectively in 1996. Despite such an increase, it is still well below the level of life expectancies of developed countries. However, because of a low retirement age (60 for men and 53-57 for women until 1995, from 1996 it increases by two months for men and four months for women annually so that in 2007 the retirement age will be 62 for men and 57-61 for women), the time spent in retirement is not short (about 16 years for men and 24 years for women).

### Czech Poverty

Every human society has its rich and poor – even in the former Communist societies, where all people were supposed to be absolutely equal, there were some who were ‘more equal’ than the rest. Obviously, from the moment when there are those who are richer, there must also be some who are poorer and *vice versa*. Affluence and poverty are complementary terms that cannot be separated.

Communism in Central and Eastern Europe, and in other parts of the world, was based on an egalitarian ideology. After World War II, almost all property in the Czech Republic (or Czechoslovakia at the time) was expropriated. Wealth lost its legitimacy, the accumulation of capital became illegal, the word ‘profit’ disappeared – even from the economic textbooks. On the other hand, poverty also became ‘illegal’. It had to be, since communist ideology promised to fulfil all the people’s needs.

By means of an egalitarianist wage policy,<sup>2</sup> Czech society became a kind of middle-class society: the rich had been ‘abolished as a class’, and the poor were abolished ideologically [Mareš and Možný 1995]. Of course, from the perspective of our affluent Western neighbours, it was a middle-class society of the poor. On the other hand, from the point of view of our ‘comrades’ from Russia, Romania, China or Cuba, it was a society of the affluent. However, even in this situation, neither wealth nor poverty totally disappeared from society. Everybody knew who was well-off and who was poor in a neighbourhood. Officially, though, both poverty and wealth were made marginal and invisible.<sup>3</sup>

The transformation of the Czech economy, which started after 1991 with the introduction of market mechanisms, has been gradually eliminating the basic principles of a command economy, mainly large transfers of investments to unprofitable economic fields, especially to heavy industry and agriculture, and high state subsidies on the prices of food, energy, rent, transport, and so on. Naturally, the impact was soon reflected in the standard of living of many families and individuals. From 1989 to 1992, the decrease in the standard of living was approximately 30%. It was not until 1996 that the standard of living reached 1989 levels with a real average Czech income of 101 percent of the 1989 income [Důchody 1996].

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<sup>2</sup>) Analyses of the distribution of official income (grey economy income excluded) in the Czech Republic in the 1980s reveal that the average income of the bottom and top deciles were not very different from the average, indicating that all strata of society were in terms of their income to a great extent equalised [Večerník 1995a].

<sup>3</sup>) Czech statistics did not officially follow the proportion of the well-off. Analysts interested in the poor, and there were just a few of them, had to refer to them euphemistically as ‘people with limited possibilities of consumption’. Thanks to these analyses, we know that the level of poverty among the Czech people (measured as those with income below 56 percent of the average income of a consumption unit) fluctuated between 6-7 percent in the period 1960-1985 [see Hiršl 1973, 1988]. We also know that poverty was ‘demographic’ during the communist era. This means that it was not related to the position of an individual on the labour market. It was almost exclusively an attribute and function of certain phases of the life cycle of an individual or a family. On a wider scale, people became temporarily poor during the period in which they set up their families (in particular, the number of dependent persons in the household and number of economically active persons played an important role) and permanently poor in old age, since their old age pensions were not indexed.

Despite a gradually improving economic situation in the mid 1990s, social surveys began to repeatedly record worries expressed by the Czech public about poverty – almost 70 percent of Czech adults believed that there were more poor people in 1995 than before 1989. On average, they also thought that about 25 percent of the Czech population were currently poor<sup>4</sup> [Mareš and Rabušic 1996].

Such an emergence of feelings of poverty creates a serious challenge for the welfare system, and for its social policy. To tackle the problem requires a knowledge of who is poor and therefore eligible for some form of social assistance. In other words, it requires a good definition of poverty, by which basic human needs and the minimum income necessary for their satisfaction would be established. Unfortunately, there is no such general definition. Recognised basic needs depend on cultural standards and expectations. For these reasons, the concept of poverty is highly relative, normative, and political. Therefore, in any society, the poverty level depends solely on the way it is defined.

To set down a line distinguishing those who are poor and those who are not is a tricky business for any welfare state. To set it low can mean having a relatively large proportion of the poor who will seek and demand assistance; these large numbers would also mean huge state expenses and high taxes for the public. On the other hand, to set it high can mean having few poor and low state expenses on one side, but huge crowds of people dissatisfied with politicians on the other. Both options may have serious political consequences. It is no wonder then that poverty is such a controversial issue. As Ringen put it:

“The trend in poverty is the litmus test of the social quality of the mixed economy system. If poverty remains rampant in spite of economic growth, the market does not do its job; if it remains rampant in spite of expanding public transfers, welfare does not do its job. If this is a valid description of contemporary affairs, we have failed in one of our most basic ambitions, that of alleviating misery and ridding our societies of the cancer of poverty” [Ringen 1988: 352].

### How to Define Poverty

Hagenaars [1985] observed that to be poor means at least three different things: (1) the absence of the possibility of satisfying basic needs, (2) to have less than others, or (3) to have the feeling of deprivation due to the feeling of insufficient income for the satisfaction of needs. Having said this, several basic questions immediately arise: What are the basic needs, and what does their absence mean? How much less must one have to be poor? What does a feeling of inadequacy mean? These questions suggest that poverty has many facets and many dimensions. To answer them means to define poverty.

There are many ways to define poverty. Poverty can be, in terms of sociology, regarded as a social problem. The sociological theory of social problems says that any social problem has its objective (i.e. actually existing conditions defined as problematic) and subjective side (the perception of these conditions by social actors as threatening their values). Since poverty has both objective and subjective dimensions its definition can be divided into these two basic groups.

Classical objective definitions make the distinction between *subsistence* (or *absolute*) poverty and *relative* poverty. According to the subsistence definition, people are

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<sup>4</sup>) In 1994, the Czech public believed that among the elderly 41% were poor and 9% were rich [“Názory... 1994].

poor if they lack the resources regarded necessary to achieve a minimum level of consumption. Minimal consumption is considered the simplest possible diet and minimum requirements for clothing, rent and heating [Ringen 1988]. There are various methods for setting such a definition such as *the basic needs approach*, *budget standards*, or *the food ratio method*.

According to the *relative* (or *deprivation*) definition, people are poor if their standard of consumption is seriously below what is considered decent in their society. In this way the poor become, in effect, excluded from the ordinary way of life and activities of their community [Ringen 1988].

All these definitions are called objective because poverty is defined through factors which are not dependent on the opinion of those who are poor. However, they all rely on only one form of measurement – income. In many welfare policies, income level serves as the poverty threshold. In Europe, for instance, there is the European Union Poverty Line set at 50 percent of the median income per equivalent person.<sup>5</sup> A poverty line has also been set up by a group of experts as the income necessary for subsistence and as such it serves as the legal poverty line for various measures of means-tested welfare programme.

Czech social policy primarily uses the objective approach for determining the level of poverty. The poverty line is defined as the *subsistence minimum* necessary for the survival of a household (also referred to here as the *life minimum*). As such, it is the prescribed and legal rate of poverty. It sets the minimum income necessary for survival as a sum of personal income plus additional costs for household maintenance. From the standpoint of this rate, in 1993, the Ministry of Labour and Social Issues estimated the poverty rate in the Czech population at about 4 percent, but in 1996, it was only 1.5 percent, which is relatively good when set in the European context. From the viewpoint of comparison with other populations, however, we must be very careful, because the life minimum in each country is a reflection of that country's economic level, social traditions, and norms.

Naturally, as there exist different definitions of poverty, they bring about different results. For instance, in 1993, the various proportions of the poor in the Czech Republic were as follows:

- According to the legal 'minimum subsistence' line, i.e. households with income below the threshold of social necessity established by the "Law on Minimum Subsistence", 4 percent were poor households.

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<sup>5</sup>) In determining the level of poverty, most statistics come from surveys in which the unit of analysis is usually a household. Therefore it is usually household income that is recorded. However, because households differ in their sizes, the income is expressed per person. Thus, household income should be divided by the number of persons in the household. This is, however, not done because by doing so "economies of scale" would not be taken into account. Three people in a household do not need three times as many refrigerators, bathrooms, money for food preparation, and so on. Therefore, the equivalency scale is computed as 1.0 for the first adult, 0.7 for other adults and 0.5 for each child. The total income of the household consisting of two parents and two children would be divided by 2.7 (1+0.7+0.5+0.5) to reach the income per equivalent person.

- According to the standard method of European Union Poverty Line (households with income below 50% of the median of income per equivalent adult), about 3 percent were poor households.
- According to the first decile (the first tenth) of the distribution of equivalent income, 9.5 percent were poor households [Večerník 1996].

These figures are lower than those for the period of communism. This paradox is easy to explain: Through the definition of the poverty line and by the level of the minimum pension, single elderly people, who made up a large proportion of the poor during the 1970s and 1980s, have been lifted above the poverty line.

In many instances, an objective way of defining the poverty line can be regarded as unjust by members of society, because ‘the experts’, that is those who are not poor, decide what income is enough for survival. Therefore, the objective approach to poverty is regarded by many scholars as paternalistic, because it does not reflect the feelings of those who suffer poverty. Obviously, every poor person will maintain that the objective poverty line is set too low and does not enable a ‘decent living’.<sup>6</sup> Therefore, subjective or consensual approaches to poverty have been developed.

*Subjective* measures are those based on the evaluation of the experiences of individual households. The aspirations of these households are included into subjective concepts (from this viewpoint they are also relative). The fact that poverty is subjective does not mean that it is purely fictitious. In agreement with sociological constructionists, we have to maintain that subjective poverty can be just as oppressive both for an individual and for society as objective poverty. Subjective poverty is measured through a number of varied processes. From a simple question to discover whether a person feels rich or poor, for instance: “*If you compare your contemporary situation with others, do you think you are a poor family?*”<sup>7</sup> or through self-perception on the continuum between poverty and wealth, which was used in a national representative sample of the Czech adult population in 1995 [Mareš and Rabušic 1996]. The question was phrased as follows: “*In our society there are people who can be considered rich, and there are people who can be considered poor. Where would you personally classify yourself on the following scale?*” Here poverty was measured by means of a nine point scale (in the form of a ladder) with categories for *rich* at the top and the categories for *poor* at the bottom (see Figure 1).

The share of the poor recorded through this method naturally depends on which category we classify for the term poverty. If we were to divide this nine-level scale into thirds, we would find that 20 percent of the respondents see themselves as poor, 73 per-

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<sup>6</sup>) In 1996, the subsistence minimum income for one-person households was 30 percent of the mean gross monthly income in the Czech republic as compared to 36 percent in 1992. On the one hand, it is much lower than in, for instance, Hungary (54 percent in 1994) and Poland (52 percent in 1992). On the other hand, it is compatible with the level of the USA (28 percent in 1995) and France (27 percent in 1992). In both of these latter countries the mean income, however, was the income of blue collar workers only [Oficiální... 1996].

<sup>7</sup>) In a representative survey carried out in 1992, those who answered *definitely yes* to such question were 12 percent of Czechs compared with 16 percent in Slovakia, 21 percent in Poland, and 23 percent in Hungary [Tuček 1995].

cent as neither poor nor rich, and 7 percent as rich.<sup>8</sup> If we only consider those who put themselves into the two lowest categories, we obtain a figure of about 8 percent poor.

Figure 1. The proportions of people classifying themselves in individual categories on a nine-level scale of poverty or affluence (Czech republic, mid 1995)

rich	+	1	0.0 %
	+	2	1.7 %
	+	3	5.1 %
	+	4	13.0 %
neither rich, nor poor	+	5	45.6 %
	+	6	14.9 %
	+	7	11.6 %
	+	8	6.5 %
poor	+	9	1.6 %

Source: [Mareš and Rabušic 1996]

A much more sophisticated method of defining subjective poverty is to determine the minimum amount of money needed to run a household, i.e. to satisfy their basic needs. We already know that in the *objective* approach, this legal life minimum is determined by experts who decide – for the public as a whole – what level of income it is possible to survive on. The basic question in democratic societies is naturally whether it is possible for the public to agree on the amount of money set by the official poverty line? How high would this income poverty line be if it was not determined by experts, but by society itself? This question is answered by the *subjective* or *consensual poverty line (SPL)*.<sup>9</sup>

The *Subjective Poverty Line* was developed at Leyden University [see Goethart et al. 1977, Van Praag et al. 1982]. It is based on the answers of respondents in representative surveys to the Minimum Income Question (*MIQ*) phrased as follows: *In your opinion, what would be the very lowest net monthly income (that is, income after tax before payment of any bills) that your household would have to have to just make ends meet?*

This answer primarily depends on some of the characteristics of the household. These variables also have to be measured.<sup>10</sup> It is assumed that the minimum income is a

<sup>8</sup>) It is notable that the highest category of wealth was unoccupied. In 1995, nobody in the Czech Republic had enough courage to define themselves as rich, although some of the respondents declared that they were earning up to 50,000 CzK monthly, i.e. 7 times higher than the average monthly income in 1995.

<sup>9</sup>) Not even one classification is ideal. The term ‘consensual’ is somewhat misleading, because this defined poverty line is basically a populational average and not a poverty line with which all must inevitably agree. Even the attribute ‘subjective’ is not the most completely appropriate, because the construed poverty line does not mean that an individual determines whether a given household is poor or not. The result of this process is an intersubjective standard, with which the situation of individual units (household, family) are compared.

<sup>10</sup>) There is an even more sophisticated alternative to this way of measurement. It is called the *CSP Measure (Centre for Social Policy)* which was developed in the Center for Social Politics in Antwerp [Deleeck 1989]. It uses the *MIQ*, but also the additional question: “With your current income can you get by: (1) with great difficulty, (2) with some difficulty, (3) with a little difficulty,

function of the real income of the family and the number of family members (differentiation is also made for the number of children and the number of adults). It is expected that the size of the outlined minimum income will increase with real income and with the number of household members (the higher a family's income, the higher the standard of living; and the more members in a household, the more money is needed for its reproduction). Given the assumptions that this function has a linear character, it is possible to solve it by means of regression analysis.<sup>11</sup> This will give us the level of income considered by the population as the necessary minimum.

### **Objective Poverty among the Czech Elderly**

The conditions which determine the standard of living for Czech senior citizens are basically the same as for those in western countries. Their standard of living is "a function of access to resources over the earlier stages of the life cycle. Occupational status in earlier life determines salary or wage levels and, therefore, the opportunities to save and invest in property and other possessions" [Walker 1993: 288].

Of course, there were some basic exceptions here: (1) the entire ideology of the socialist state reassured future generations of senior citizens that retirement is a 'deserved vacation', in which the state will completely care for all individuals. Even if reality was somewhat different, this ideology alone tempted many Czechs into not worrying too much about their future economic situation. This led to the rate of savings being, in many cases, inadequate. (2) The impoverished nature of the entire society necessitated inter-generational co-operation: parents supported their children with their financial and social capital for an unusually extended period of time: more or less, permanently up until their deaths. This was a significant transfer of both financial resources and life energy from the senior generation's households to the those of their sons and daughters. (3) The possibilities of investing their financial resources into assets, which would have brought returns when they retired, were basically zero for the simple reason of the illegal nature of private enterprise within the system of a socialist economy.

As has already been shown, from the standpoint of the structure of Czech poverty, the elderly have been a regular component. Many scholars maintain that the correlation between poverty and old age has been universal throughout the industrial societies of the world [see e.g. Hendricks and Hendricks 1986, Walker 1993]. However, according to Laczko [1990] and other scholars, there are also current views claiming that elderly people have a much better standard of living now than before, and that old age can no longer be associated with poverty, or at least that the contemporary elderly are not a homogeneously impoverished group [Crystal 1996]. Some scholars even maintain that because of their increasing numbers, the elderly manage to influence public policy decision-making in favour of their own interests at the expense of their younger cohorts [see, for instance, Preston 1984]. However, more detailed analyses of the economic situation of the elderly reveal that this is not always true. British experience suggests that the majority of older people still live in or on the margins of poverty – in terms of both the official poverty line

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(4) *fairly easily*, (5) *easily*, (6) *very easily*?" In this case, the poverty line is counted only from the MIQ respondents who indicate that they are able to make ends meet "*with great difficulty*". The reason for this is these respondents can be thought of as relatively the best 'reporters' concerning the minimum needs for the running of a household. The CSP method was not applied here.

<sup>11</sup>)  $\text{SUB-MIN-INC} = a_0 + (b_1 * \text{real income}) + (b_2 * \text{number of adults}) + (b_3 * \text{number of children})$ .



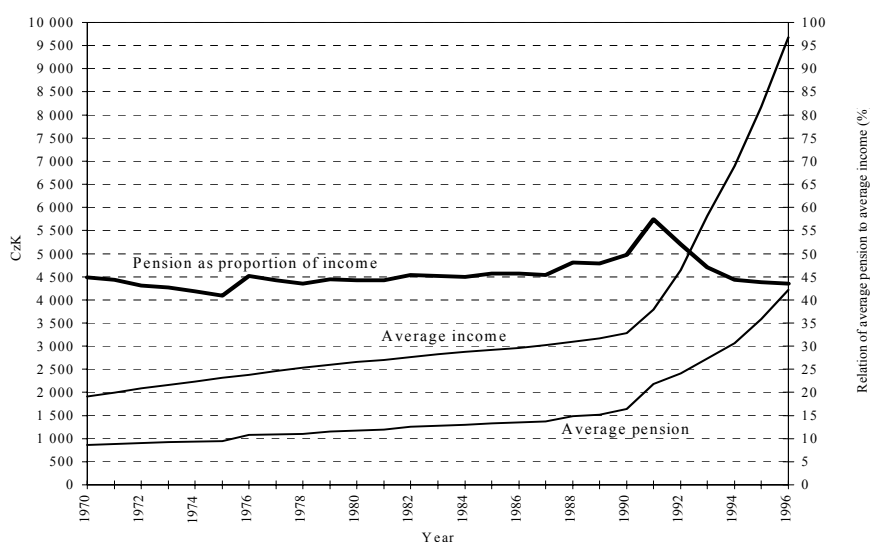
and average living standards [Walker 1993]. On the other hand, US data show that the availability of resources to meet fundamental needs varies widely among the elderly, but most older Americans have adequate incomes and housing [Atchley 1988]. Crystal [1996] even says that the decline in income after age 65 – when adjustments are made for household size, assets, and underreporting of unearned income – is minimal.

A gloomy picture of the price of transition to a market economy for older people in Eastern and Central Europe is painted by Laczko [1994]. One of his main conclusions, namely that the effects of transformation point to an increasing marginalisation of the older populations in transitional countries, is, however, as I shall show below, difficult to apply to the Czech Republic.

In order to understand the problem of poverty among the elderly on a cross-national comparative level, one has to ask primarily whether the elderly have adequate economic resources and who among them experiences inadequacy. As far as the Czech elderly are concerned, my thesis here is that from the point of view of objective indicators, they are relatively well-off. However, in terms of subjective well-being many of them feel poor, economically deprived, and dissatisfied.

One of the most important indicators of economic well-being among the elderly is the relation of the average old age pension to average income (see Figure 2). It is important to note that in the Czech Republic, the old age pension is a very good indication of the economic level of the elderly. Social security income (the state pension) is the main source of all personal income constituting about 90 percent of the income of elderly households. Employment income makes up 5 percent and other income (asset income) also 5 percent. This composition will not soon change and it will actually take some years before the elderly will have the opportunity to take advantage of other sources of income

Figure 2. Average monthly income of the Czech population and average old-age pension of the retired, CR 1970-1996



(e.g. from private assets or private pension funds<sup>12</sup>). For the time being, the state pensions from the pay-as-you-go system remain the major income for Czech elderly.

In 1996, the average monthly pension was about 4,250 CzK which was 44 percent of the average national income before tax.<sup>13</sup> This proportion has been more or less stable (with some minor fluctuations) since 1970 [Důchody 1996]. Because Czech pensions are not taxed and the retired do not pay the health insurance premium, it is legitimate to compare pensions with income after tax. In this case, the average pension was about 57 percent of net income in 1996.<sup>14</sup> In real terms, 1996 pensions were 109 percent of pensions in 1992.

As far as pension inequality is concerned, since 1989 there has been a trend towards greater equality. In 1996, there were 26 percent of pensioners with income (pension) up to 90 percent of the average pension, while in 1989 the corresponding figure was 45 percent (see Table 1). The proportion of the elderly with 130 percent of the mean pension was only 5 percent while in 1989, it was 12 percent.

Table 1. Distribution of monthly pensions in relation to the mean pension

Level of pension in relation to the mean	1989		1996	
	Pension in CzK	% of pensioners	Pension in CzK	% of pensioners
- 89	- 1,437	45	- 3,851	26
90 - 109	1,438 - 1,757	26	3,852 - 4,710	48
110 - 129	1,758 - 2,076	17	4,711 - 5,560	21
130 +	2,077 +	12	5,561 +	5
Mean	1,598	100	4,280	100

Source: Hiršl [1997]

An important factor in assessing the living standard is the consumption pattern. Table 2 provides information on the structure of household expenditures. The data reveal that there is one substantial difference between the expenditures of retired elderly households and the households of employees. The retired spend more on necessities: food and household expenses, which constitute altogether 66 percent of all of their expenditures, while employed persons spend only 40 percent on these items.

<sup>12</sup>) Private pension funds as the second pillar of the Czech old-age pension scheme were established only in 1995, which means that the current cohort of the elderly will stay dependent on state pensions.

<sup>13</sup>) From a household income perspective we get a different picture. The standard *Household Income Survey* reveals that the average income per capita of the elderly household income was 79 percent of the per capita income of Czech households in 1995 [Dlouhý 1995].

<sup>14</sup>) However, the Czech pension system is characterised by high redistribution. Therefore pension-to-income ratio is disproportionally different for various income groups. For instance, for those with below the average income, this ratio is about 83 percent, for those, with income which is two times higher than the average, it is only 37 percent.

Table 2. Structure of household expenditures in the Czech Republic in 1996 (per capita, in %)

Items	Employed Persons	Pensioners
Food	22	36
Alcohol and tobacco	3	3
Clothing and footwear	7	5
Housing+household expenses	11+8	21+9
Medical care	4	5
Transport	10	7
Culture, education, sports	9	7
Taxes, insurance, payments	2	8

Source: Statistical Yearbook of the Czech Republic '97

It seems that the Czech elderly do not have many degrees of freedom in consumption. They experience a substantial decrease in their monthly income and, on average, they spend two-thirds of their income on daily necessities: food, rent, energy, and the running of the household. However, they are supposed to be the group whose households have been already furnished and supplied with consumer durables, and with enough decent clothes. Table 3 gives us some idea how true this is.

Table 3. Structure of ownership of consumer durables in households of people aged 50-59, 60-69, and 70+ in the Czech Republic in 1996 (% who own an item)

Items	50-59	60-69	70+
Refrigerator	93	87	85
Telephone	58	41	42
Automatic washing machine	80	64	48
Colour TV	95	87	80
Microwave oven	29	16	9
PC	14	6	3
Car	69	41	23
Garden which is not a part of a house or apartment	35	28	26
Summer cottage or <i>dacha</i>	26	19	8

Source: Rabušic, Mareš: 50+. Representative national survey of the Czech population (November 1996, N = 1302)

The table shows quite clearly that there are not large differences between the three age groups in terms of the various consumer durables. It also tells us that the cohort 50-59 will enter the retirement period well supplied with material items. It is important to add in this context that such older people also live well from the point of view of their dwelling type. According to the 1991 Census data, 52 percent of the population aged 60+ live in their own houses. The corresponding figure for the whole Czech population is 43 percent. Of those aged 60+ who live in apartments, 83 percent live in categories I. and II., which means they have all the necessary comforts: central heating, hot water, bathroom and toilet. Our 1996 representative survey data indicate that 91 percent of the Czech people aged 70+, 87 percent aged 60-69 and 87 percent aged 50-59 were satisfied with their accommodation. The majority of older people are not interested in moving (81 percent of cohort 70+, 82 percent of cohort 60-69, and 80 percent of cohort 50-59 years), and only a

tiny fraction of them (4-6 percent) think that they will have to move despite their wish not to.

All these data suggest that as far as the basic economic conditions are concerned, the living standard of the Czech elderly is not too bad. The only clear-cut difference in comparison with the economically active population is the level of income. This difference, however, looks less frightening when we realise that, generally speaking, the elderly are a group which does not need to make heavy investments. US estimates of the average income needs assume that the elderly need slightly less income than the non-elderly to maintain comparable lifestyles [Atchley 1988].

What then is the level of the poverty among the Czech elderly? The Czech government in reshaping the social security system has stuck to a simple principle as far as this type of poverty is concerned: to ensure that the elderly are entitled to a minimum pension which is set above the subsistence level and is protected against inflation. Therefore, from the perspective of the Czech legal (or subsistence) poverty line, set by the Minimum Subsistence Act of Parliament in 1991, officially, there should be no poor elderly households because even the lowest pension is above the legal poverty line. The pension law No. 155/1995 surprisingly changed this principle, and from 1996 there may appear cases when the new pensions will be lower than the subsistence minimum.<sup>15</sup>

The subsistence line was regularly adjusted when there was a 5 percent rise in the consumer price index and pensions are indexed by the same mechanism.<sup>16</sup> However, in 1997, due to unfavourable economic development an amendment to the law was adopted which increased the 5 percent limit to 10 percent. This will negatively effect the development of the level of pensions in real-terms. Both changes may thus have an impact on the level of poverty among Czech pensioners.

In 1992, 3.2 percent of all Czech households fell under legal poverty, and by 1995 this share had decreased to 2.7 percent. Of all elderly households consisting of two retired persons, only 1.9 percent had income below the poverty line in 1992. In 1995 this proportion further decreased to 1.4 percent<sup>17</sup> [Dlouhý 1995].

All these facts indicate that from the perspective of Czech social policy the Czech elderly have not really been poor. However, it has been known for a long time in social gerontology that, generally, in retirement feelings of economic deprivation increase [Riley and Foner 1968]. In the Czech Republic, the feelings of deprivation can be even more intense. Due to the transitional situation, three factors are at work here: (a) by 1996, consumption capacity had increased unprecedentedly for inhabitants of the Czech Republic following 1989. However, the beneficiaries of these changes were, above all, economically active individuals; (b) income inequalities increased – in 1996, the income of the

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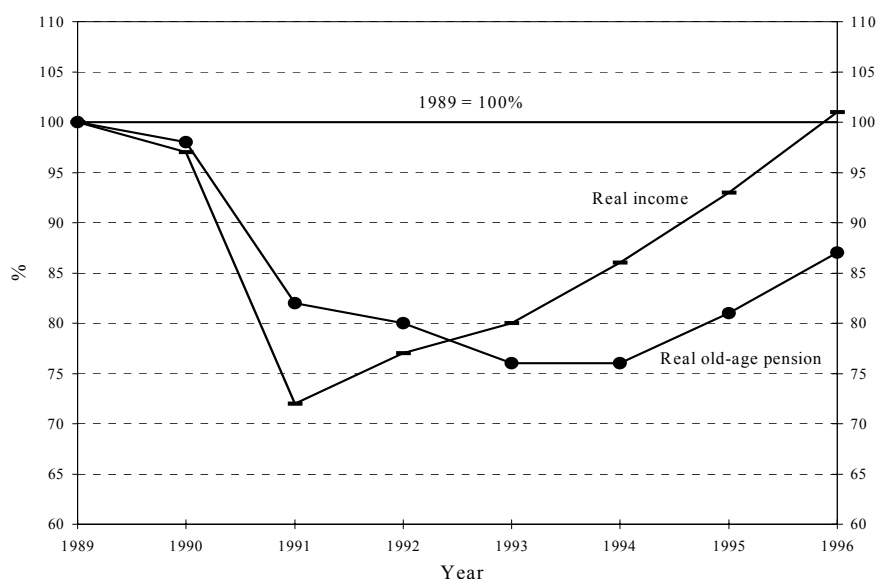
<sup>15</sup>) In such a case, a retired person will fall into the net of the state social support system. The frequency of these cases has so far been only minimal.

<sup>16</sup>) To be quite precise, the increase in real income is also taken into consideration. Whenever, during the previous two years, the index of real income increases by a factor of more than 1, old-age pensions are increased in such a way that the increase must be at least of the magnitude of one-third of the average real income increase which has occurred during those two years.

<sup>17</sup>) Until 1995, the retired who had an old-age pension could not be under the subsistence level. However, some senior citizens (especially the oldest women) cannot claim a pension. These are mainly housewives who have not fulfilled the basic condition of the pension scheme: to pay contributions for at least 25 years.

population in the lowest income decile was six times lower than the income of the highest income decile; and (c) the income discrepancy between those who are economically active and the elderly also increased. This is caused by the fact that pensions have not kept pace with the income increases of active wage-earners. This different pace of development of real average income and average old-age pension is illustrated in Figure 3.

Figure 3. Real average income and real average old-age pension in the Czech republic, 1989-1996 (1989 = 100%)



Thus, in many elderly households, there may be taking place monthly existential mini-dramas, brought about by feelings of uncertainty, over whether the pension will allow the buying of various goods. It is true that the average elderly income has increased nearly three-fold since 1989 (from about 1,500 CzK in 1989 to about 4,200 CzK in 1996) but apparently in many households, regularly increasing prices of goods, rent, energy, and so forth, may cause feelings of financial deprivation.

These are the most likely reasons why the elderly subjectively perceive their situation as relatively unfavourable. It is quite natural then that in such context this analysis of poverty among the Czech elderly should change from an objective approach to a subjective one.

#### Subjective Poverty among the Czech Elderly

It has already been said that the elderly's subjective assessment of income and wealth can be expected in many cases to be negative. Psychological factors are at work here. After decades of extremely equalised living standards, it is natural that increased income inequalities between the working population and the population of the retired will be viewed with a certain bitterness: *'After all those years spent at work, we do not deserve this'* is a frequent argument of the retired. Survey data which were collected in 1995 and 1996 in

two consecutive national representative surveys<sup>18</sup> included various items on the elderly's attitudes towards their affluence. These can serve as indicators of poverty among the Czech population over 50.

As far as the general position on the continuum between being rich or poor is concerned, Table 4 provides the following results.

Table 4. The feeling of poverty and affluence among retired pensioners, retired but working pensioners and non-retired people (aged 50+) in the CR in 1995 and 1996. Collapsed (trichotomised) 9 point scale of subjective assessment of affluence or poverty

Economic status	Defining themselves as:					
	poor		middle		rich	
	1995	1996	1995	1996	1995	1996
Economically active	9	26	82	65	9	9
Retired	<b>39</b>	<b>48</b>	61	50	0	2
Working retired	15	29	81	62	4	10
All respondents	28	39	69	57	3	5

Source: Mareš, Rabušic: Survey data *Perception of Poverty in the CR* (N = 361), and *Survey data 50+*. (N = 1302)

The increase in subjective poverty was substantial between 1995 and 1996. Almost half of the retired elderly declared themselves poor in 1996. On the other hand, both in 1995 and 1996, the proportion of the subjectively poor was not very different between the working population and the working retired, and it was much lower than the proportion of the retired category. As we shall see later, this similarity will persist throughout the majority of subjective poverty indicators. Since poverty is caused mainly by a lack of adequate income, the interesting thing is how the Czech pensioners assess their household income by means of the CSP question (see Table 5).

Table 5. How older Czech households get along with their income by economic status in the CR in 1995 and 1996 (Population 50+)

Economic status	With your current income can you get by:					
	with difficulty		sometimes with difficulty,		easily	
	1995	1996	1995	1996	1995	1996
Economically active	16	17	44	44	40	38
Retired	<b>39</b>	<b>31</b>	43	44	19	25
Working retired	15	12	35	38	50	50
All respondents	30	24	42	43	28	33

Source: Mareš, Rabušic: Survey data *Perception of Poverty in the CR* (N = 361), and *Survey data 50+*. (N = 1302)

<sup>18</sup>) These surveys were carried out by P. Mareš and myself. The 1995 survey, which was interested in the public perception of poverty, covered the Czech adult population (18+) of which a sub-set of respondents 50+ was created. The 1996 survey was a special one, interested only in older people and covered the population aged 50+.

Between 1995 and 1996, the assessment of income situation changed in a way opposite to the assessment of general feelings of poverty. The share of economically active people who can get by with their income with difficulty was 16-17 percent in 1995-1996. This proportion among the working retired was even lower (and notice their share of those who can get by easily – 50 percent in both years). Only the retired felt that they had problems getting by with their pensions: 39 percent in 1995 and 31 percent in 1996.

Tables 4 and 5 reveal two very important facts: (1) The feeling of poverty is much more frequent on a general level than with relation to income, and (2) the working retired and working population assess their situation in similar way, the former even feel richer than the latter.

Analyses of the assessment of income usually ask not only the CSP question, but also add the question of what the respondent's income is enough for. Table 6 describes the Czech situation.

Table 6. What was the household income enough to buy in the CR in 1995 and 1996 (Population 50+)

What is your household income enough for?	Economic status							
	Economically active		Retired		Working retired		All respondents	
	1995	1996	1995	1996	1995	1996	1995	1996
For everything, but we have to be good managers	45	47	21	34	35	55	30	41
We have to economise very much before we buy expensive things	39	40	33	36	31	35	35	37
Only to buy the cheapest things	15	11	<b>35</b>	<b>19</b>	31	9	28	15
Only to buy the cheapest food	2	2	<b>10</b>	<b>9</b>	4	1	7	6
Often we do not have money enough to buy even the cheapest food	0	0	<b>2</b>	<b>3</b>	0	1	1	2

Source: Mareš, Rabušic: Survey data *Perception of Poverty in the CR* (N = 361), and *Survey data 50+*. (N = 1302)

It shows that about 10 percent of retired people both in 1995 and 1996 thought that their income was sufficient to buy only the cheapest food. When we add together the categories of retired pensioners who claimed to have enough money to buy only the cheapest things and those claiming to have money only for the cheapest food along with those not having money even for that, we come to a figure of 47 percent in 1995 and 31 percent in 1996 who can be thought of as poor people.

What kind of situations make people feel poor? We offered our respondents four situations: before Christmas, before summer vacations, when shopping for clothes, when shopping for food, and asked them whether they have felt poor on these occasions during the last five years. The results are summarised in Table 7.

For the retired, the most frustrating situation was Christmas, the other three situations showed almost no difference, with about 40 percent feeling poor. Relatively well-off were the working retired – the proportions feeling poor in these situations were substantially smaller than in the other two categories.

Table 7. Feeling of poverty in different situations. The CR in 1995 and 1996 (Population 50+)

Economic status	Christmas		Feeling of poverty during:					
	1995	1996	summer vacation		clothes shopping		food shopping	
	1995	1996	1995	1996	1995	1996	1995	1996
Economically active	30	44	40	46	25	40	21	26
Retired	52	53	53	41	46	42	40	41
Working retired	35	37	39	34	27	32	23	21
All respondents	44	48	48	42	37	40	32	34

Source: Mareš, Rabušic: Survey data *Perception of Poverty in the CR* (N = 361), and *Survey data 50+*. (N = 1302)

All the items analysed so far can be regarded as valid indicators of subjective poverty. More sophisticated is, however, the subjective poverty line (SPL). The SPL expresses the income that is felt by the population as income which is just enough to make ends meet. Calculations of the Czech SPL have been made from the 1995 and 1996 survey data. The results are provided in Table 8.

Table 8. Subjective poverty line (SPL) for various types of households among the Czech population aged 50 and older in 1995 and 1996

Type of household	(1) SPL (in CzK)		(2) % of households below SPL		(3) structure of poverty		(4) average monthly income (CzK)		(5) legal poverty line (CzK)	
	1995	1996	1995	1996	1995	1996	1995	1996	1995	1996
Single retired	4,465	4,838	90	67	48	62	3,497	5,354	2,440	2,890
Retired couple	6,350	6,622	40	16	28	16	7,287	8,662	4,360	5,110
Single economically active	5,141	5,349	22	19	1	2	6,800	7,774	2,440	2,890
Couple economically active	7,647	7,343	19	8	7	4	12,818	12,913	4,360	5,110
Family with children	10,691	9,785	40	11	9	3	12,966	16,094	8,160*	9,470*
Working retired	7,017	6,960	42	24	7	13	9,768	11,020	x	x
Altogether	x	x	41	30	100	100	x	x	x	x

\*) two parents with two dependent children aged 15-26

Source: Mareš, Rabušic: Survey data *Perception of Poverty in the CR* (N = 361), and *Survey data 50+*. (N = 1302)

There are several conclusions which can be drawn from this table. First, the threshold of poverty defined in such a way (column 2) was both in 1995 (41 percent) and in 1996 (30 percent) several times higher than the threshold of poverty defined by the official (legal) poverty line. (Compare columns 5 and 1 to see how much lower the Czech legal poverty minimum income is compared to the poverty income defined by the Czech public). Second, the share of people who are below the subjective poverty line decreased from 41 percent in 1995 to 30 percent in 1996. Such a decrease is substantial and corresponds to the improved income situation in 1996. While in 1995, the average old-age pension was, in real terms, 101 percent of the pension in 1992, in 1996, it was 109 percent. Third, the structure of subjective poverty changed from 1995 to 1996. In both years, the biggest



proportion of households whose income was under the SPL were the households of the single retired (90 percent in 1995 and 67 percent in 1996 – see column 2). In 1995, the next largest group of subjectively poor were the households of the working retired (42 percent), of retired couples (40 percent) and of families with dependent children (40 percent). In 1996, the proportion of poor households was much lower than in 1995, with the second largest group being poor households of the working retired (24 percent).

What do all these data on subjective poverty mean and how can they be interpreted? Czech 'objective' data reveal that the Czech elderly are able to satisfy their basic needs and that they do not have less wealth than others. However, their feeling of deprivation is relatively high due to a feeling of insufficient income. Feelings of subjective poverty recorded in a number of situations among elderly households are rather frequent (about 30-50 percent of the retired), mainly when they are assessing their general situation or in situations which relate to their income.<sup>19</sup> These findings can be socially very significant because they point to the possibility of feelings of social exclusion of some groups of the Czech elderly.

It is a known fact that subjective poverty is always higher than objective indicators would suggest. Poverty is a relative concept and sociology has known for a very long time that even a general increase in the standard of living or an increase in income can not remove the borders between rich and poor. It just moves them. Moreover, there are not just 'general poor', but – due to the relativity of poverty – each social class has its 'own poor'.

In a transitional country, it is necessary to take one factor into consideration. The pace of change is relatively rapid and the scope is vast. Pensioners, for whom the regularities of their lives are very important, and who favour regular behaviour and routines, are less able to adapt quickly to a new social and economic order than other people. These changes can bring about feelings of unhappiness, deprivation, alienation and anomie, all of which correlate with poverty.<sup>20</sup>

The period of societal change that we are now experiencing is a time which on the one hand benefits eager, dynamic, capable and flexible individuals. This period, however, can be unusually harsh for the elderly, who do not possess these characteristics. We are all experiencing a new socialisation and it is natural that resocialisation is much easier at a younger than an older age. The temporary decrease in the standard of living, brought about by the transformation from a socialist economy to a market economy, affects the elderly population above all, who, because of their age, do not have an adequate set of opportunities to change strategies, which would help them manage and bridge this diffi-

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<sup>19</sup>) A category which does not fit this description is the retired but working. Their attitudes towards their income are closer to the population of economically active than to the retired. In some aspects they evaluate their situation even more positively than the former. I believe this can be understood as additional evidence for the effort to further raise the Czech retirement age.

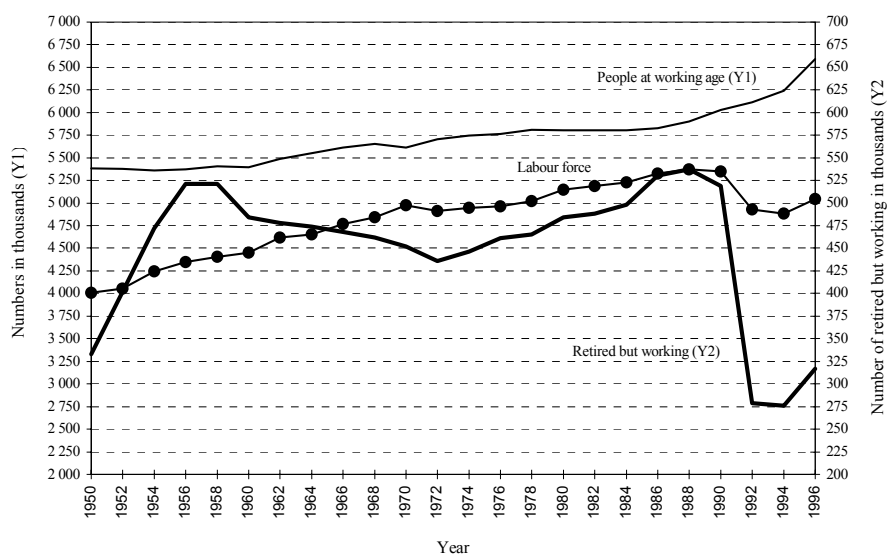
<sup>20</sup>) We did find these attitudes among the senior citizens in our samples. The elderly who felt subjectively poor also maintained that life was much better before 1989 than today. Of those who felt subjectively poor, 64 percent said so, of those who felt neither poor nor rich, there were 33 percent and of those who felt rich there were only 17 percent. Both those who felt poor and who thought life was better before 1989 were also more anomic than other respondents (anomie was measured by means of Srole's [1956] anomie scale). Of the retired respondents 45 percent were not happy (but only 24 percent of the retired but working respondents).

cult period of economic transformation. According to Kolosi and Róna-Tas [1992], there are six economic strategies used during the transformation period for adaptation to market institutions:

- (1) To change position in the economic hierarchy through professional career (promotion).
- (2) Use the market of supplementary work opportunities for a second job while continuing in present employment.
- (3) Quit employment in the public sector and work full-time in the private sector (understanding that the private sector uses a different system of organisation with fewer overheads, the reward can be higher wages which correspond with performance and productivity).
- (4) Establish a private family business in agricultural operations as a supplementary economic activity.
- (5) Establish a personal company and become an entrepreneur.
- (6) Use the growing investment market by purchasing stocks, government stocks, bonds, or investment in real-estate – in other words, choose a strategy of investment to create income.

It is clear that not one of these strategies is appropriate for the average elderly person in retirement or preparing for retirement. The first three strategies are based on work and are almost impossible for people in these age categories to realise. For retirees, because of an increasing number of people of working age, the basic problem is that their current chances for future employment are slim and, are most likely to decrease sharply in the near future (see Figure 4).

Figure 4. Number of persons of working age, number of retired but working, and number of the labour force, the Czech republic 1950-1996



These strategies are also very difficult to realise for people who are on the verge of retirement. At this age, promotions come very rarely, for supplementary work activities there is frequently an inadequate supply of energy and for transfer from the state sector to the private sector, either there is an absence of courage, or (and this is more often) the private sector does not express interest in workers who are on the verge of retirement. The fourth and fifth strategy combine work and capital, which in some cases, in connection with the restitution of property, could be an option for some older people. The sixth

strategy, which depends entirely on capital, only applies to cases of inherited or returned property.

### Conclusion

The concept of poverty among the elderly has been a frequent weapon in the political rhetoric of Czech opposition parties and trade union leaders who want to get the votes of the elderly. They have been using the 'catastrophic' situation of the elderly a great deal in the media over the last three years, as evidence that the social policies of the Klaus cabinet is actually asocial and inhuman,<sup>21</sup> so much so that many of the elderly have accepted this idea and it has gradually become an 'objective' fact for them.

I believe that we can, by all measures, state that poverty among the Czech elderly is not a major problem from the subsistence point of view. However, from a subjective standpoint it seems serious. As such, it has to be taken at full weight and it cannot be mitigated by the fact that it has been to a high degree constructed by the psychological and social milieu of a transforming society. By no means does it mean that such poverty is less real than the objective one. To use sociological language in this context, one can point to the so-called Thomas theorem in which the social constructionists remind us quite often: *if people define their situation as real, it becomes real in its consequences*.

It is clear that the elderly are today, and for the foreseeable future will be, quite extensively dependent on public institutions: the level of old-age pensions, housing policies, the health insurance system, and also on policies of special care for ageing citizens (dwellings for retirees, in-home health care, centres for elderly citizens, etc). Only the new cohorts of older people, who will be able to take advantage of and fully use some of the outlined strategies during their economic activity, supplemented by the assurance of private pension plans and the security of privately-owned dwellings, will be more independent of the state. One can only hope that such independence will also bring about positive feelings of subjective well-being.

Poverty is a very complex issue to deal with. To answer the question posed as the title of my paper is not easy because it depends on the viewpoint. On the one hand, for bureaucrats of the central and local governments, the poverty of the Czech elderly objectively does not exist and therefore it is a myth. On the other hand, many of the Czech elderly feel poor and therefore for them their poverty is real. For a sociologist, the whole situation is socially constructed; the Czech elderly are not really poor, but because of its subjective perception, their perceived poverty shapes their opinion and also behaviour.

In dealing with poverty, we should not forget the clever maxim of Abraham de Swaan: *The problem of the poor is to survive: the problem of poverty is a problem of the rich, how to distribute some of the surplus without changing the rules for its accumulation or protection* [de Swaan 1988: 14].

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<sup>21</sup>) This type of statement was prevalent in 1994 and 1995 during discussions before the bill on the gradual increase of the retirement age was passed.

Česká společnost stárne – *Czech Society is Ageing* (1995) and an edited book *Česká společnost a senioři – Czech Society and the Elderly* (1997). In 1997 he delivered papers at the *European Population Conference in Warsaw* and at the *European Sociological Conference at Colchester, University of Essex*.

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